



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

Legislative Fiscal Analyst  
CLAYTON SCHENCK

DATE: December 11, 2007

TO: Legislative Finance Committee

FROM: Pat Gervais, Senior Analyst

RE: Department of Corrections – Population Cost Management

At its October 2007 meeting, the Legislative Finance Committee (LFC) reviewed a memo from Legislative Fiscal Division (LFD) staff and heard information from the Department of Corrections regarding costs incurred for FY 2007 and the projected average daily population of offenders anticipated by the department for the 2009 biennium. As indicated in that memo the increase in average daily population between FY 2006 and 2007 was 6.2 percent rather than the 7.5 percent increase projected by the department. Additionally, the department's preliminary draft population projection for the 2009 biennium estimated an average daily population of offenders that was 313 and 345 offenders in FY 2008 and 2009, respectively, less than the budgeted level of population for the 2009 biennium. LFD staff estimated that this population change might equate to a general fund cost reduction when compared to the 2009 biennium budget of \$10 to \$15 million.

### Population Projection Finalized

The department prepares and updates its population projection each quarter. In late October 2007 after the LFC meeting the department finalized its population projection for the first quarter of FY 2008. The final first quarter projection estimates an average daily population that is greater than the preliminary projection but less than the level of population supported by the 2009 biennium budget. When compared to the budgeted level of population, the finalized first quarter population projection estimates an average daily population of offenders that is 150 and 101 less than the level budgeted for FY 2008 and 2009, respectively. LFD staff estimates that this level of population change might equate to a general fund cost reduction when compared to the 2009 biennium budget of \$5 to \$10 million. As stated in the September memo, changes in the utilization and mix of placements and services as well as other department needs and actions could impact this estimate.

### October Budget Status Report

The department recently completed a budget status report based upon October 2007 month end data. This report estimates that the department has a general fund surplus of about \$850,000 for FY 2008. During its December 5, 2007 department management team meeting the discussion and presentation of this status report included indication that deficit spending is projected in

some areas of the department in part due to the costs of outside medical care, overtime, and employee pay adjustments per the department's policy of moving employees to the market level of pay for the position over a five year period. The area showing the largest surplus of funding is contract beds where the department estimates about \$2.1 million of the appropriation will not be expended.

While no funding included in a biennial appropriation for additional contract beds (\$4.2 million) and an appropriation for sex offender treatment (\$0.5 million) has been expended, the department is projecting these funds to be fully expended by fiscal year end. Given that none of the funds in these two appropriations have been expended to date and that the estimated population is lower than budgeted, it would seem likely that some or all of these appropriations will revert to the general fund. It should be noted however that the funding for additional contract beds is a biennial appropriation and thus any unexpended balance will be carried forward to FY 2009, and if not expended in that year, would revert to the general fund.

Department staff<sup>1</sup> has also provided verbal notification to Office of Budget and Program Planning and LFD staff that funds appropriated for license plate manufacturing are not being expended and may revert to the general fund. Department staff plans to request a meeting with the Department of Justice Motor Vehicle Division staff to discuss license plate production and anticipated production volume in an effort to improve the estimate of what funds will actually be expended. Currently, the department budget status report show the funds appropriated for license plates as fully expended.

## **Sex Offender Treatment Beds**

The department is working on development of about 116 contracted sex offender treatment beds and plans to utilize a portion of the funding included in a biennial appropriation for population growth for this purpose<sup>2</sup>. The draft plan for use of this funding provided to the 2007 Legislature proposed use of about \$6.2 million of the FY 2009 appropriation to develop and occupy an estimated 136 sex offender treatment beds at full capacity for the year.<sup>3</sup>

While the department has stated its goal is to have these sex offender treatment beds in place beginning in the spring of 2009, the current population projection does not anticipate these beds will impact the average daily population of offenders until FY 2010, a delay of one year when compared to information presented during the legislative session. Thus, it would seem that all or a portion of the \$6.2 million earmarked for this purpose would revert to the general fund at the end of the 2009 biennium and be one component of the \$5 - \$10 million cost reduction mentioned above.

The department will need to request funding for these beds in its 2011 biennium budget since it is unlikely that any costs related to these beds will be incurred in FY 2008 the base budget year for the 2011 biennium budget.

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<sup>1</sup> Per conversation with Gayle Lambert, Montana Correctional Enterprises Administrator December 5, 2007.

<sup>2</sup> Per information gather by LFD staff attendance at various meetings.

<sup>3</sup> Legislative Fiscal Report 2009 Biennium, volume 4, page D-57, Figure 2

## **Summary**

In summary, since the October LFC meeting the department has finalized its first quarter population projection and while higher than the draft projection discussed at that meeting the projected population remains lower than the level budgeted for the 2009 biennium. This lower than budgeted population combined with revised timing of the opening of about 116 sex offender treatment beds suggests that there is a likelihood that the department may be in a position to revert a portion (\$5 - \$10 million) of its 2009 general fund appropriation.